

Address by
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Interaction with MD / CEOs of Listed Banks
“Strengthening Compliance with PIT Regulations in Listed Banks”
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Good Morning All,

It is a privilege to be here today to speak about a matter that is not only a regulatory requirement but also a cornerstone of good governance and ethical leadership — the SEBI Prohibition of Insider Trading Regulations (PIT Regulations) and their specific implications for listed banks.

Let me begin by briefly reflecting on why the PIT Regulations matter so deeply.

When a small group of people has access to information before the rest of the market and uses it for personal gain, it creates an uneven playing field. Investors lose confidence, market fairness erodes, and the very integrity of the financial system comes into question.

This discussion is not about ticking boxes for compliance. It is about preserving the credibility of our institutions, the integrity of our financial markets, and the trust of stakeholders who expect the highest standards of governance.

As Managing Directors, you carry the highest responsibility for ensuring your organizations lead, not only in financial performance but also in ethical governance. Directors are at the apex of organizational governance. SEBI explicitly places responsibility on the Board of Directors, Managing Directors, and Compliance Officers to ensure compliance with PIT Regulations.

The Dual Responsibility of Listed Banks

Allow me to begin by highlighting the unique position of listed banks under the PIT Regulations.

Unlike ordinary corporations, banks shoulder a dual responsibility:

- As a listed entity, every bank is required to comply with the same regulatory framework that governs all listed companies — this includes ensuring timely disclosures, preventing insider trading, and maintaining confidentiality of price-sensitive information.
- As a fiduciary, the bank frequently comes into possession of Unpublished Price Sensitive Information (UPSI) concerning other listed companies — information that could directly impact the stock market if misused or leaked.

Let us consider a few scenarios:

- When a bank sanctions a major loan to a listed company, it gains access to financial information well before the market does.
- During debt restructuring negotiations or repayment settlements, sensitive data on a company's liquidity position becomes available to the bank.
- When participating in Committee of Creditors proceedings for stressed assets, banks often learn about strategic corporate decisions much before they are publicly disclosed.

All this information, if leaked, even unintentionally, could move markets, impact shareholder wealth, and erode investor trust. This is why your role as Managing Directors is not limited to overseeing your bank's own compliance. It extends to ensuring that information about other companies, which you hold as fiduciaries, is protected with the same rigour and confidentiality as your own organization's sensitive data.

Why Strict Internal Controls Are the Bedrock of Compliance

Now, let us turn to the importance of internal controls.

A recent study by KPMG on Corporate Frauds in India highlighted that the number one detection method of frauds is tipoffs via whistle blowers or informal sources and management reviews. Weak controls are considered the prime reason for the frauds.

Insider trading risks thrive where controls are weak — where processes are unclear, responsibilities are undefined, and oversight is inconsistent. This is why SEBI has made it mandatory for listed entities to establish robust, auditable, and transparent internal control systems including a Code of Conduct for Prevention of Insider Trading.

A strong internal control framework ensures that:

- Every piece of UPSI is accounted for — who holds it, who shares it, and under what circumstances.
- Every disclosure is timely and accurate — leaving no room for ambiguity or delay.
- Every employee understands their responsibilities — through clear codes of conduct, written policies, and periodic training.

And let me emphasize this: internal controls are not just about compliance. They are about building a culture of integrity — where employees at all levels understand that confidentiality, ethical conduct, and accountability are non-negotiable.

Maintaining Absolute Confidentiality of UPSI

UPSI must always be handled on a need-to-know basis.

- If an employee does not require the information for legitimate business purposes, they should not have access to it.
- Informal sharing — even casually in meetings or over emails — must be treated as a serious breach.

Remember, in today's hyper-connected world, a single leak can travel across digital networks in seconds and there is no way to undo the damage — to stock prices, to investor confidence, or to your bank's reputation. This is why strict access protocols, information walls, and secure digital systems are essential.

Structured Digital Database (SDD) — The Cornerstone of Compliance

In this context, the Structured Digital Database (SDD) is a critical tool.

SEBI mandates that sharing of all unpublished price-sensitive information be recorded in a secure, time-stamped, and tamper-proof system.

For listed banks, this means maintaining two sets of SDDs:

- One for your own bank's internal UPSI.
- Another for UPSI you hold in a fiduciary capacity for other listed companies.

SDD creates a clear, auditable trail of every instance where sensitive information changes hands. When employees and executives know that every UPSI transaction is logged and traceable, the risk of deliberate leaks or insider trading reduces significantly.

Further, when a regulatory authority comes knocking, your ability to instantly and comprehensively demonstrate who knew what, and when, will be your greatest defense. It is the SDD that demonstrates whether your bank acted with integrity, discipline, and full transparency and SEBI views SDD non-compliance with zero tolerance.

The Compliance Officer's Role

Another important aspect in PIT Regulations is the role of Compliance Officer.

Your boards must ensure that the Compliance Officer is not a symbolic position but a fully empowered authority with the tools, training, and backing of leadership to enforce PIT regulations effectively. And above all, never bypass the Compliance Officer's oversight.

There is a specific session scheduled in the afternoon today for the Compliance Officers of your Banks wherein detailed discussions will be held on the role of Compliance Officer and industrial best practices on PIT Regulations.

Leveraging Technology for Stronger Compliance

As banks grow in scale and complexity, technology can be your strongest ally in ensuring compliance.

Some key areas where technology already plays, or can play, a transformative role include:

- Automated Trading Window Management: In order to ease the compliance with closure of trading window under PIT Regulations and to prevent inadvertent non-compliances of provisions of PIT Regulations, SEBI mandated the Stock Exchanges and Depositories for a system to restrict trading by DPs of listed companies and their immediate relatives during trading window closure period due to financial results.

For other UPSIs that may trigger a trading window closure but is not yet covered by the automated system, Technology solutions may be developed and adopted for monitoring of trades during such UPSI periods thereby reducing the burden on compliance teams.

- Centralized Pre-clearance & Disclosure Portals: A centralized portal to handle trading requests, obtain pre-clearances, and record disclosures ensures compliance with the code of conduct while making the process smoother and provides an audit trail.
- Digital Training & Certification Platforms: Employees can undergo regular compliance training, with certifications providing a clear record of awareness and accountability.

Closing Thoughts

Compliance with the PIT Regulations is not just a legal obligation; it is a moral responsibility.

Your dual role — as leaders of listed entities and as fiduciaries holding sensitive information of others — places on you a higher standard of care.

By strengthening internal controls, ensuring absolute confidentiality of UPSI, empowering compliance officers, and leveraging technology, you can build

organizations that are not only compliant but also trusted leaders in governance and ethics.

Let us aim to make our listed banks models of transparency, integrity, and ethical leadership — setting benchmarks not just for compliance, but for corporate conduct in the entire financial ecosystem.

Thank you for your time and attention.